



2015 FIRST QUARTER FINANCIAL REPORT

June 2015

PERFORMANCE AT A GLANCE

GENERAL FUND REVENUES	COMPARED TO 2015 PROJECTIONS	REFERENCE
Property Tax Revenue	▲ POSITIVE ▲	Page 3
Sales Tax Revenue	◀ NEUTRAL ▶	Pages 4-5
Utility Tax Revenue	◀ NEUTRAL ▶	Page 8
Development Revenue	▲ POSITIVE ▲	Page 9
Park and Recreation Revenue	▲ POSITIVE ▲	Page 10
Investment Income	◀ NEUTRAL ▶	Page 11
EXPENDITURES		
General Fund Expenditures	◀ NEUTRAL ▶	Page 12
NON-GENERAL FUND REVENUES		
Surface Water Fees	▼ NEGATIVE ▼	Page 14
Fuel Tax	◀ NEUTRAL ▶	Page 15
Real Estate Excise Tax	▲ POSITIVE ▲	Page 15

Key to revenue trend indicators:

- ◀ NEUTRAL ▶ = Variance of -1% to +2% compared to projections.
- ▲ POSITIVE ▲ = Positive variance of >+2% compared to projections.
- WARNING ● = Negative variance of -1% to -4% compared to projections.
- ▼ NEGATIVE ▼ = Negative variance of >-4% compared to projections.

CITY FINANCIAL OVERVIEW

GENERAL FUND REVENUE SUMMARY

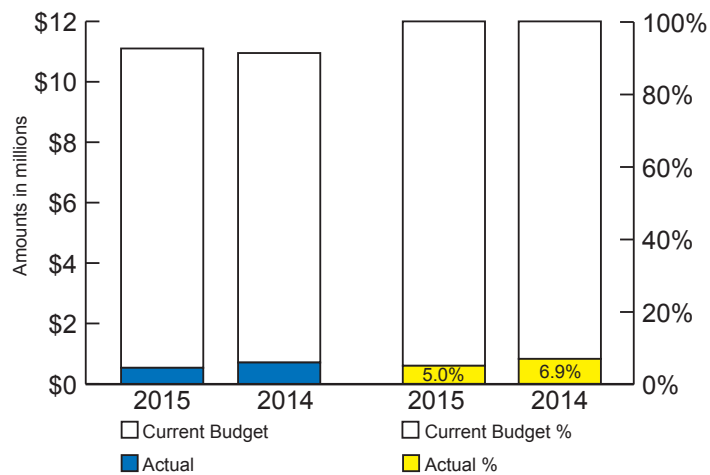
Total general fund revenue received in the first quarter of 2015 totals \$4,293,006, which is \$393,793, or 8.4%, less than the year-ago level. The following highlights the most important details of this report:

- The year-over-year change is largely attributable to a large property tax payment distribution earlier than normal in the first quarter of 2014, which did not occur again in 2015, and gambling tax receipts collected in 2014 pursuant to promissory notes with various gambling establishments.
- Staff estimates the results for the first quarter's sales tax receipts are approximately \$50,000 lower due to the miscoding of tax returns. Staff is currently working with the Washington State Department of Revenue to correct this issue.
- The year-over-year variance in utility tax and franchise fee revenue receipts is due to lower natural gas utility tax collections, possibly due to the unseasonable weather, and the timing of collections of telecommunications utility tax.
- Local development activity in 2015, in terms of the number of building permits pulled for new construction and remodels, has increased from the year-ago level but the valuation is lower. A substantial portion of the difference is related to the timing of a large project that occurred in March 2014 (North City Water District's 3,200 square foot pump station valued at \$4.0 million).

Revenue Source	2015 Current Budget	2015 First Quarter Actual Revenue	2015 % of Current Budget Received	2014 Current Budget	2014 First Quarter Actual Revenue	2014 % of Current Budget Received	2015 v. 2014 \$ Change	2015 v. 2014 % Change
Budgeted Fund Balance	\$1,797,948	\$0	0.0%	\$1,971,662	\$0	0.0%	\$0	0.0%
Property Tax	\$10,570,659	\$532,449	5.0%	\$10,245,815	\$706,915	6.9%	-\$174,466	-24.7%
Sales Tax	\$7,320,000	\$1,271,934	17.4%	\$6,739,000	\$1,266,540	18.8%	\$5,394	0.4%
Local Criminal Justice	\$1,276,154	\$338,509	26.5%	\$1,224,532	\$316,022	25.8%	\$22,487	7.1%
Utility Tax and Franchise Fee Revenue								
Natural Gas	\$889,590	\$216,671	24.4%	\$889,590	\$248,812	28.0%	-\$32,141	-12.9%
Garbage	\$538,648	\$155	0.0%	\$528,086	\$155	0.0%	\$0	0.0%
Cable TV	\$1,760,845	\$162,374	9.2%	\$1,658,749	\$150,710	9.1%	\$11,664	7.7%
Telecommunications	\$1,503,000	\$149,232	9.9%	\$1,569,095	\$169,329	10.8%	-\$20,097	-11.9%
Storm Drainage	\$214,571	\$12,669	5.9%	\$207,697	\$15,609	7.5%	-\$2,940	-18.8%
Water	\$754,197	\$0	0.0%	\$754,197	\$0	0.0%	\$0	0.0%
Sewer	\$834,002	\$208,000	24.9%	\$809,711	\$202,000	24.9%	\$6,000	3.0%
Utility Tax and Franchise Fee Revenue Subtotal	\$6,494,853	\$749,101	11.5%	\$6,417,125	\$786,615	12.3%	-\$37,514	-4.8%
SCL Contract Payment	\$1,993,063	\$188,931	9.5%	\$1,912,728	\$201,337	10.5%	-\$12,406	-6.2%
Gambling Tax Revenue	\$1,586,625	\$1,543	0.1%	\$1,569,125	\$129,148	8.2%	-\$127,605	-98.8%
Development Revenue	\$1,319,750	\$305,297	23.1%	\$1,211,750	\$391,192	32.3%	-\$85,895	-22.0%
Park and Rec. Revenue	\$1,583,119	\$320,097	20.2%	\$1,537,541	\$296,903	19.3%	\$23,194	7.8%
Intergovernmental Revenue	\$894,991	\$193,636	21.6%	\$865,015	\$202,401	23.4%	-\$8,765	-4.3%
Grant Revenue	\$162,163	\$0	0.0%	\$153,791	\$7,414	4.8%	-\$7,414	-100.0%
Fines and Licenses	\$644,000	\$51,810	8.0%	\$835,053	\$66,787	8.0%	-\$14,977	-22.4%
Miscellaneous Revenue	\$513,702	\$86,107	16.8%	\$431,479	\$68,136	15.8%	\$17,971	26.4%
Investment Income	\$70,600	\$8,338	11.8%	\$30,000	\$5,114	17.0%	\$3,224	63.0%
Operating Transfers In	\$981,014	\$245,254	25.0%	\$969,100	\$242,275	25.0%	\$2,979	1.2%
Total General Fund Revenue	\$37,208,641	\$4,293,006	11.5%	\$36,113,716	\$4,686,799	13.0%	-\$393,793	-8.4%
Total General Fund Revenue (excl. Budgeted Fund Balance)	\$35,410,693	\$4,293,006	12.1%	\$34,142,054	\$4,686,799	13.7%	-\$393,793	-8.4%

GENERAL FUND REVENUE ANALYSIS:

PROPERTY TAX

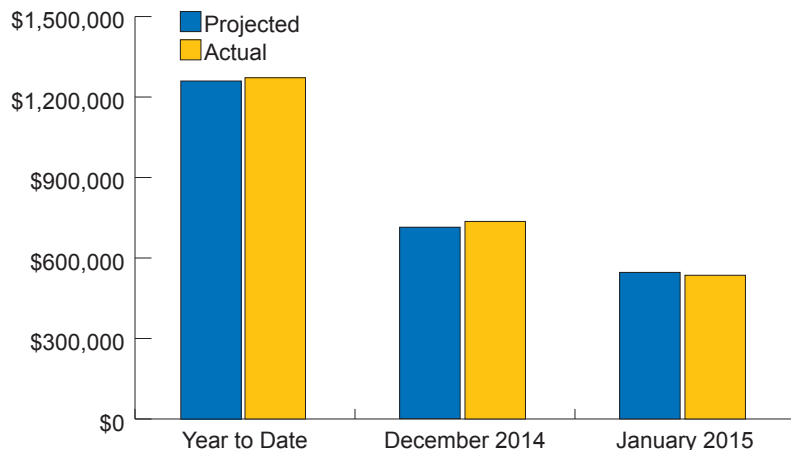


2015 Current Budget	\$10,570,659
2015 First Quarter Actual Revenue	\$532,449
2015 % of Current Budget Received	5.0%
2014 Current Budget	\$10,245,815
2014 First Quarter Actual Revenue	\$706,915
2014 % of Current Budget Received	6.9%
2015 v. 2014 First Quarter \$ Change	-\$174,466
2015 v. 2014 First Quarter % Change	-24.7%

Property tax receipts for 2015 are 24.7% lower than those for 2014 as the City received a large property tax payment distribution earlier than normal in the first quarter of 2014. Receipts are higher than the first quarter projection by \$45,132, or 9.3%.

GENERAL FUND REVENUE ANALYSIS (continued):

SALES TAX



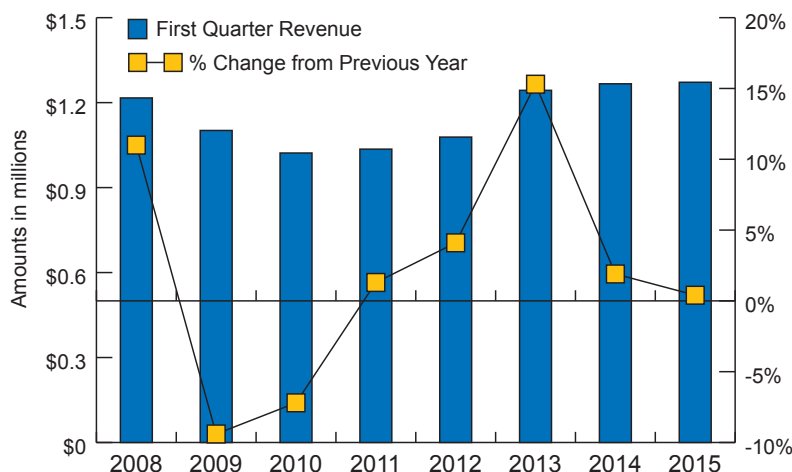
2015 Current Budget	\$7,320,000	
<i>Sales Activity</i>	<i>Projected</i>	<i>Actual</i>
December 2014	\$713,638	\$736,315
January 2015	\$546,336	\$535,619
Year to date	\$1,259,974	\$1,271,934
\$ Variance		\$11,960
% Variance		0.9%

Sales tax receipts for the first quarter of 2015, which reflect activity from December 2014 through January 2015, total \$1,271,934 and are above the first quarter projection by \$11,960, or 0.9%, and above 2014 collections by \$5,394, or 0.4%. Staff estimates the results for the first quarter are approximately \$50,000 lower than expected due to the miscoding of tax returns. This has caused the building material and garden category to appear to be 53.4% lower than the year-ago level. Staff is currently working with the Washington State Department of Revenue to correct this issue.

There has been significant growth in receipts from new car dealers (in the motor vehicle and parts dealer category) since 2011. Receipts for this period were higher than those for the same period of 2014, 2013, 2012, and 2011 by 15.5%, 13.3%, 44.4%, and 50.6%, respectively. Receipts from the construction sector are higher than the year-ago level by 6.0%. Of the amount collected during the first quarter, one-time activity accounted for \$17,282, or 9.7%, in 2015, \$41,385, or 24.6%, in 2014, \$68,176, or 36.4%, in 2013 and \$49,127, or 37.8%, in 2012. Removing one-time activity from the calculation reveals receipts are higher than the budget projection by 6.6% and a year-over-year increase of 26.9%. As large one-time projects are generating less sales tax than they did in prior years as they come to a close, these changes continue to reflect an increased level of ongoing construction activity.

The tables on the following page help illustrate the performance of various sectors. The first table presents a condensed view of the four primary categories of construction; retail trade; hotels and restaurants; and, all others. The second table presents a breakdown of the retail trade category and highlights specific industry economic performance in comparison to previous years.

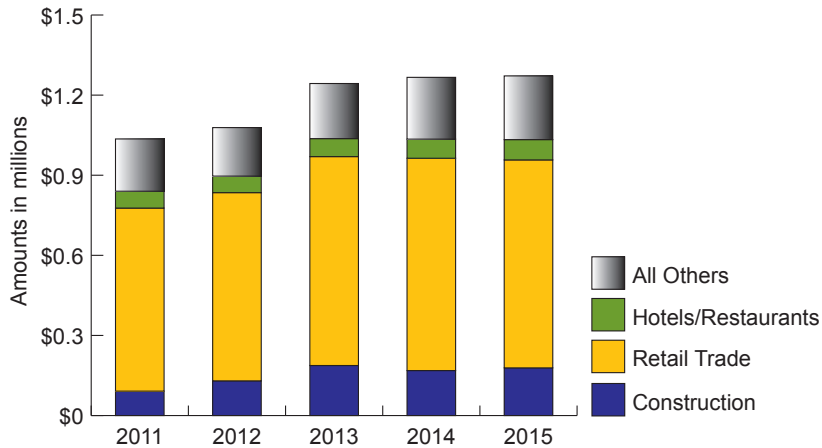
First Quarter Sales Tax Revenue Comparison



First Quarter Sales Tax Revenue Comparison		
Year	Revenue	% Change from Previous Year
2008	\$1,216,626	11.0%
2009	\$1,101,726	-9.4%
2010	\$1,022,166	-7.2%
2011	\$1,035,818	1.3%
2012	\$1,078,354	4.1%
2013	\$1,243,462	15.3%
2014	\$1,266,540	1.9%
2015	\$1,271,934	0.4%

GENERAL FUND REVENUE ANALYSIS (continued):

SALES TAX BY CATEGORY - First Quarter 2015

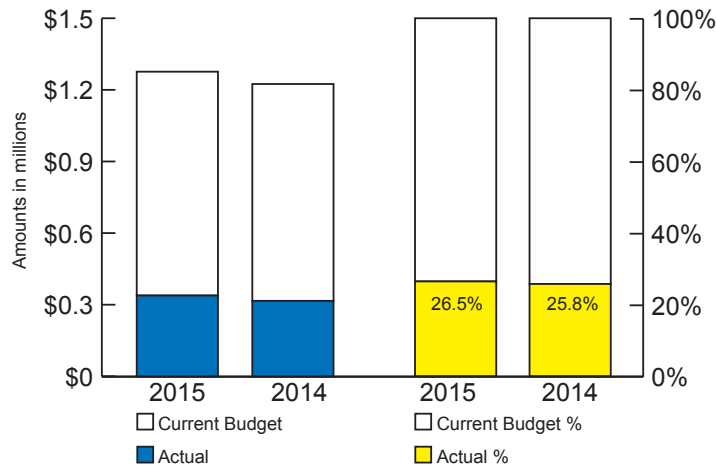


RETAIL SECTOR	2011	2012	2013	2014	2015
Construction	\$91,442	\$129,963	\$187,418	\$168,515	\$178,605
Retail Trade	\$685,548	\$704,842	\$782,320	\$795,090	\$778,740
Hotel and Restaurant	\$63,134	\$61,896	\$67,378	\$71,571	\$76,081
All Others	\$195,694	\$181,653	\$206,346	\$231,365	\$238,508
Total	\$1,035,818	\$1,078,354	\$1,243,462	\$1,266,540	\$1,271,934
\$ Change from previous year	\$13,652	\$42,536	\$165,108	\$23,078	\$5,394
% Change from previous year	1.3%	4.1%	15.3%	1.9%	0.4%

SALES TAX BY CATEGORY									
Retail Trade	2011 Dec-Jan	2012 Dec-Jan	2012 v. 2011 \$ Change	2013 Dec-Jan	2013 v. 2012 \$ Change	2014 Dec-Jan	2014 v. 2013 \$ Change	2015 Dec-Jan	2015 v. 2014 \$ Change
Motor Vehicle/Parts Dealer	\$159,050	\$161,779	\$2,729	\$198,130	\$36,351	\$208,082	\$9,952	\$219,244	\$11,162
Furniture, Home Furnishings	\$9,713	\$8,979	-\$734	\$9,550	\$571	\$9,968	\$418	\$10,470	\$502
Electronics and Appliances	\$11,871	\$15,078	\$3,207	\$13,899	-\$1,179	\$17,045	\$3,146	\$22,793	\$5,748
Building Materials, Garden	\$70,422	\$72,694	\$2,272	\$87,045	\$14,351	\$83,724	-\$3,321	\$38,993	-\$44,732
Food and Beverage Stores	\$44,274	\$43,378	-\$896	\$44,915	\$1,537	\$43,929	-\$986	\$47,334	\$3,405
Health/Personal Care Store	\$24,153	\$27,633	\$3,480	\$30,114	\$2,481	\$31,567	\$1,453	\$35,632	\$4,065
Gasoline Stations	\$11,801	\$11,922	\$121	\$11,557	-\$365	\$11,850	\$293	\$12,056	\$206
Clothing and Accessories	\$7,756	\$9,637	\$1,881	\$10,101	\$464	\$9,665	-\$436	\$12,295	\$2,630
Sporting Goods, Hobby, Books	\$17,428	\$16,696	-\$732	\$16,641	-\$55	\$18,208	\$1,567	\$17,980	-\$228
General Merchandise Stores	\$256,652	\$260,906	\$4,254	\$281,644	\$20,738	\$274,402	-\$7,242	\$278,704	\$4,302
Miscellaneous Store Retailers	\$49,790	\$49,016	-\$774	\$46,846	-\$2,170	\$49,622	\$2,776	\$43,954	-\$5,668
Nonstore Retailers	\$22,638	\$27,124	\$4,486	\$31,878	\$4,754	\$37,029	\$5,151	\$39,287	\$2,258
Total Revenue	\$685,548	\$704,842	\$19,294	\$782,320	\$77,478	\$795,090	\$12,770	\$778,740	-\$16,349

GENERAL FUND REVENUE ANALYSIS (continued):

LOCAL CRIMINAL JUSTICE SALES TAX

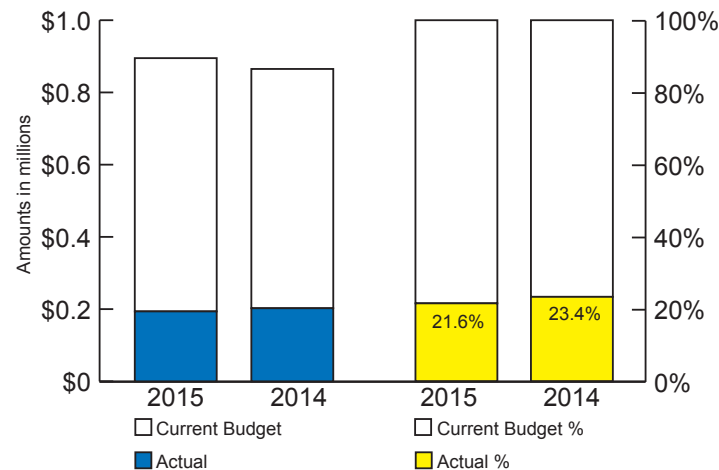


2015 Current Budget	\$1,276,154
2015 First Quarter Actual Revenue	\$338,509
2015 % of Current Budget Received	26.5%
2014 Current Budget	\$1,224,532
2014 First Quarter Actual Revenue	\$316,022
2014 % of Current Budget Received	25.8%
2015 v. 2014 First Quarter \$ Change	\$22,487
2015 v. 2014 First Quarter % Change	7.1%

Local criminal justice sales tax receipts for the first quarter, in the amount of \$338,509, are \$22,487, or 7.1%, more than the year-ago level. Thus far this year 26.5% of the amount budgeted has been received as compared to 25.8% received during the same period last year. Receipts are \$22,375, or 7.1%, higher than the first quarter projection.

The result for local criminal justice sales tax receipts is not commensurate with the result for sales tax receipts because the distribution of local criminal justice sales tax is based on the city's population and the amount of sales tax collected throughout all of King County.

INTERGOVERNMENTAL REVENUE

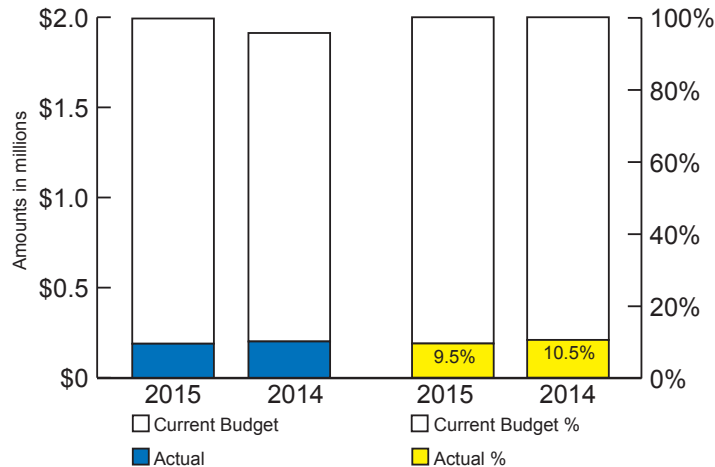


2015 Current Budget	\$894,991
2015 First Quarter Actual Revenue	\$193,636
2015 % of Current Budget Received	21.6%
2014 Current Budget	\$865,015
2014 First Quarter Actual Revenue	\$202,401
2014 % of Current Budget Received	23.4%
2015 v. 2014 First Quarter \$ Change	-\$8,765
2015 v. 2014 First Quarter % Change	-4.3%

Intergovernmental revenue sources are comprised primarily of funding for criminal justice programs, liquor excise tax, and liquor board profits. Receipts for the first quarter in the amount of \$193,636 are \$8,765, or 4.3%, lower than the year-ago level due to lower collections of liquor excise tax and liquor board profit revenues. Receipts are \$3,454, or 1.8%, higher than the first quarter projection.

GENERAL FUND REVENUE ANALYSIS (continued):

SEATTLE CITY LIGHT CONTRACT PAYMENT

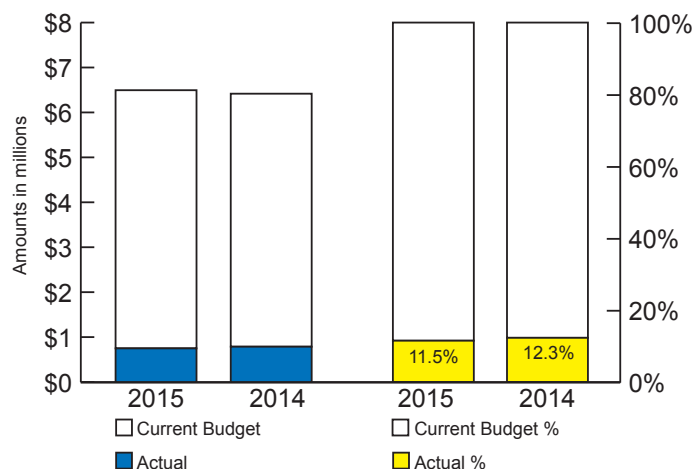


2015 Current Budget	\$1,993,063
2015 First Quarter Actual Revenue	\$188,931
2015 % of Current Budget Received	9.5%
2014 Current Budget	\$1,912,728
2014 First Quarter Actual Revenue	\$201,337
2014 % of Current Budget Received	10.5%
2015 v. 2014 First Quarter \$ Change	-\$12,406
2015 v. 2014 First Quarter % Change	-6.2%

Receipts for the first quarter, in the amount of \$188,931, are \$12,406, or 6.2%, less than the year-ago level and \$28,290, or 13.0%, less than the first quarter projection. This could also be a result of the unseasonable weather.

GENERAL FUND REVENUE ANALYSIS (continued):

UTILITY TAX AND FRANCHISE FEE



2015 Current Budget	\$6,494,853
2015 First Quarter Actual Revenue	\$749,101
2015 % of Current Budget Received	11.5%
2014 Current Budget	\$6,417,125
2014 First Quarter Actual Revenue	\$786,615
2014 % of Current Budget Received	12.3%
2015 v. 2014 First Quarter \$ Change	-\$37,514
2015 v. 2014 First Quarter % Change	-4.8%

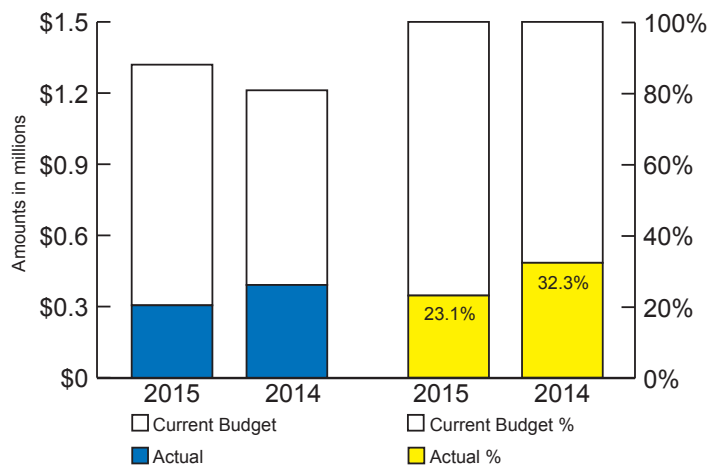
Overall utility tax and franchise fee receipts, in the amount of \$749,101, are \$37,514, or 4.8%, lower than the year-ago level but \$2,973, or 0.4%, higher than the first quarter projection.

Natural gas tax receipts are 12.9% lower than those collected during the same period in 2014 but nearly equal to (+0.2%) the first quarter projection. Cable television tax receipts are higher than the year-ago level by 7.7% and the first quarter projection by 8.0%. Telecommunications tax receipts are lower than 2014 collections by 11.9% and the first quarter projection by 6.1%. Telecommunications tax receipts fell each year from 2010 through 2013.

Revenue Source	2015 Current Budget	2015 1st Quarter Actual Revenue	2015 % of Current Budget Received	2014 Current Budget	2014 1st Quarter Actual Revenue	2014 % of Current Budget Received	2015 v. 2014 \$ Change	2015 v. 2014 % Change
Natural gas	\$889,590	\$216,671	24.4%	\$889,590	\$248,812	28.0%	-\$32,141	-12.9%
Garbage	\$538,648	\$155	0.0%	\$528,086	\$155	0.0%	\$0	0.0%
Cable TV	\$1,760,845	\$162,374	9.2%	\$1,658,749	\$150,710	9.1%	\$11,664	7.7%
Telecommunications	\$1,503,000	\$149,232	9.9%	\$1,569,095	\$169,329	10.8%	-\$20,097	-11.9%
Storm Drainage	\$214,571	\$12,669	5.9%	\$207,697	\$15,609	7.5%	-\$2,940	-18.8%
Water	\$754,197	\$0	0.0%	\$754,197	\$0	0.0%	\$0	0.0%
Sewer	\$834,002	\$208,000	24.9%	\$809,711	\$202,000	24.9%	\$6,000	3.0%
Utility Tax and Franchise Fee Revenue Subtotal	\$6,494,853	\$749,101	11.5%	\$6,417,125	\$786,615	12.3%	-\$37,514	-4.8%

GENERAL FUND REVENUE ANALYSIS (continued):

DEVELOPMENT REVENUE

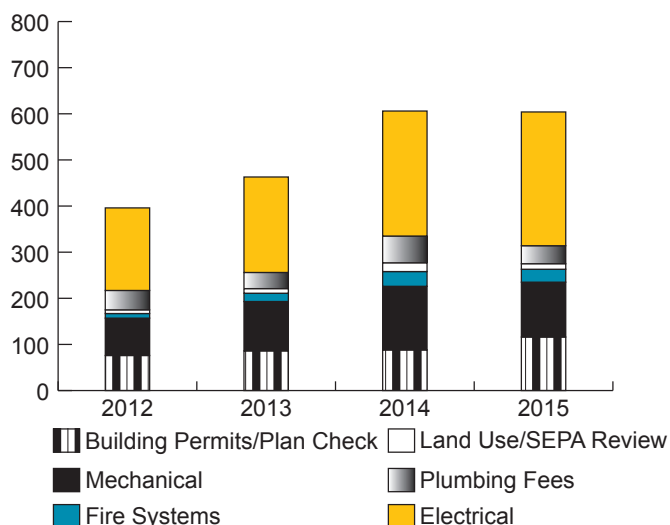


2015 Current Budget	\$1,319,750
2015 First Quarter Actual Revenue	\$305,297
2015 % of Current Budget Received	23.1%
2014 Current Budget	\$1,211,750
2014 First Quarter Actual Revenue	\$391,192
2014 % of Current Budget Received	32.3%
2015 v. 2014 First Quarter \$ Change	-\$85,895
2015 v. 2014 First Quarter % Change	-22.0%

Development revenue receipts, in the amount of \$305,297, exhibit a year-over-year decrease of \$85,895, or 22.0%, and are \$36,355, or 13.5%, more than the first quarter projection.

Local development activity in 2015, in terms of the number of building permits pulled for new construction and remodels (61), has increased from the year-ago level (+10) but the valuation is lower (-\$5.1 million). Thus far in 2015, there have been 7 more permits issued for new residential construction, with a value that is \$1.5 million less. There have been 3 more permits issued for non-residential construction (new and remodels), with a value that is \$3.6 million less. One project worth noting in the 2015 non-residential category is the Costco gas station expansion valued at \$1.2 million. A substantial portion of the year-over-year difference is related to the timing of a large project that occurred in March 2014 (North City Water District's 3,200 sf pump station valued at \$4.0 million).

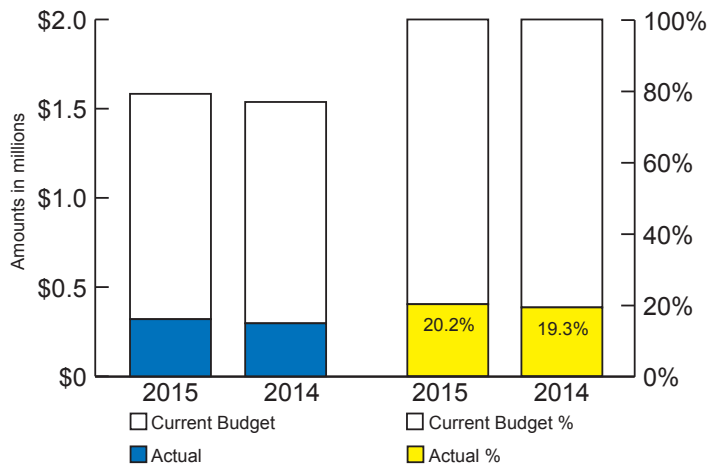
PERMITS BY TYPE January through March 2012–2015



PERMIT TYPE	2012	2013	2014	2015
Building Permits/Plan Check	76	86	88	116
Mechanical	81	107	138	119
Fire Systems	10	18	32	28
Land Use/SEPA Review	8	10	19	12
Plumbing	42	35	58	39
Electrical	179	207	271	290
Total	396	463	606	604

GENERAL FUND REVENUE ANALYSIS (continued):

PARK AND RECREATION REVENUE



2015 Current Budget	\$1,583,119
2015 First Quarter Actual Revenue	\$320,097
2015 % of Current Budget Received	20.2%
2014 Current Budget	\$1,537,541
2014 First Quarter Actual Revenue	\$296,903
2014 % of Current Budget Received	19.3%
2015 v. 2014 First Quarter \$ Change	\$23,194
2015 v. 2014 First Quarter % Change	7.8%

Park and recreation revenue receipts, in the amount of \$320,097, are \$23,194, or 7.8%, higher than the year-ago level and \$14,854, or 4.9%, higher than the first quarter projection. Compared to the first quarter of 2014, the first quarter of 2015 witnessed: a decrease in revenues from the pool (-5.9%) due the extended pool closure due to the installation of the new bulkhead and lighting; an increase in revenues from facility rentals (+18.1%) due to more rentals of athletic fields; and, an increase in revenues from general recreation programs (+4.1%) due to increased participation in adult health and fitness, specialized recreation, and youth arts classes.

RECREATION REVENUE BY PROGRAM

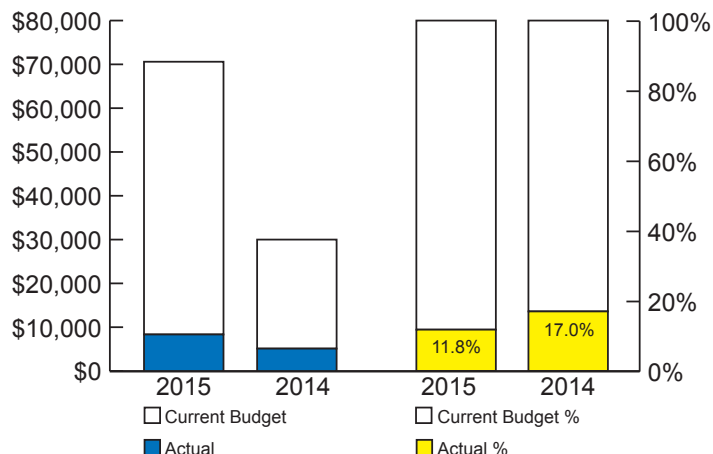
Annual Recreation Revenue by Program Area January - March 2008-2015*

Year	General Recreation*	General Recreation % of Total	Pool	Pool % of Total	Facility Rentals	Facility Rentals % of Total	Total Revenue
2008	\$109,582	40.7%	\$85,173	31.6%	\$74,645	27.7%	\$269,400
2009	\$114,859	40.2%	\$74,875	26.2%	\$96,221	33.6%	\$285,955
2010	\$107,817	38.6%	\$76,240	27.3%	\$95,259	34.1%	\$279,316
2011	\$99,983	35.2%	\$82,736	29.1%	\$101,440	35.7%	\$284,159
2012	\$111,990	38.8%	\$85,284	29.5%	\$91,669	31.7%	\$288,943
2013	\$109,539	36.9%	\$87,935	29.6%	\$99,160	33.4%	\$296,634
2014	\$113,554	39.2%	\$81,781	28.2%	\$94,426	32.6%	\$289,761
2015	\$118,242	38.5%	\$77,037	25.1%	\$111,554	36.4%	\$306,833

* Excludes non-program revenue such as cell tower rental fees and special event sponsorships.

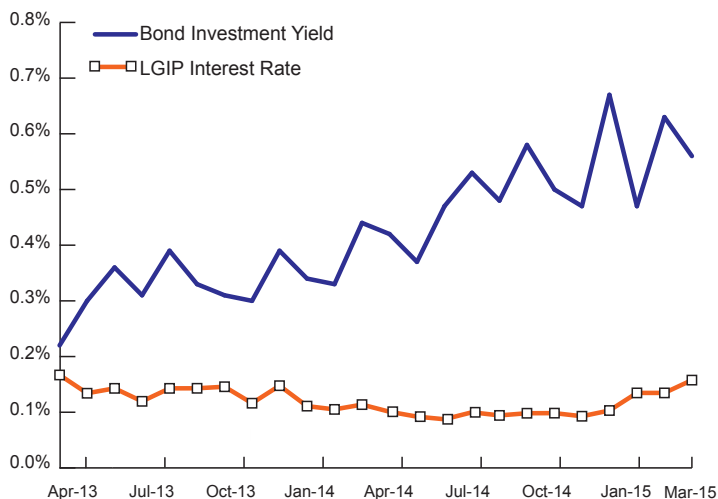
GENERAL FUND REVENUE ANALYSIS (continued):

INVESTMENT INCOME



2015 Current Budget	\$70,600
2015 First Quarter Actual Revenue	\$8,338
2015 % of Current Budget Received	11.8%
2014 Current Budget	\$30,000
2014 First Quarter Actual Revenue	\$5,114
2014 % of Current Budget Received	17.0%
2015 v. 2014 First Quarter \$ Change	\$3,224
2015 v. 2014 First Quarter % Change	63.0%

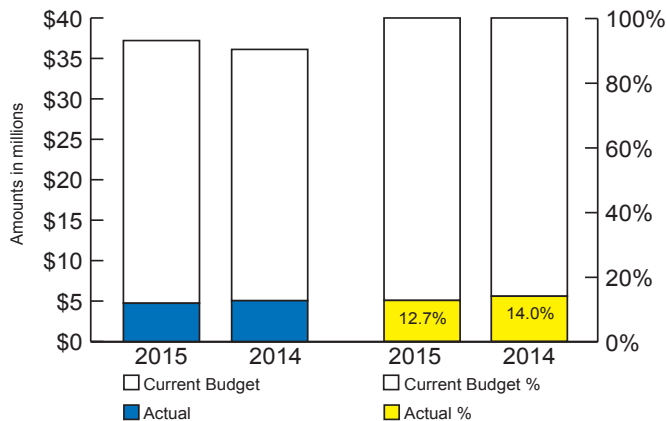
Investment earnings through March totaled \$8,338 and are higher than the year-ago level by \$3,224, or 63.0%. The City is diversifying and laddering its portfolio, moving methodically into longer term securities earning higher interest rates.



Month	Local Govt. Investment Pool Interest Rate	Bond Investment Yield
4/30/13	0.1669%	0.2200%
5/31/13	0.1341%	0.3000%
6/30/13	0.1429%	0.3600%
7/31/13	0.1196%	0.3100%
8/31/13	0.1429%	0.3900%
9/30/13	0.1430%	0.3300%
10/31/13	0.1458%	0.3100%
11/30/13	0.1162%	0.3000%
12/31/13	0.1477%	0.3900%
1/31/14	0.1110%	0.3400%
2/28/14	0.1051%	0.3300%
3/31/14	0.1137%	0.4400%
4/30/14	0.1009%	0.4200%
5/31/14	0.0921%	0.3700%
6/30/14	0.0874%	0.4700%
7/31/14	0.0999%	0.5300%
8/31/14	0.0943%	0.4800%
9/30/14	0.0982%	0.5800%
10/31/14	0.0984%	0.5000%
11/30/14	0.0928%	0.4700%
12/31/14	0.1031%	0.6700%
1/31/15	0.1347%	0.4700%
2/28/15	0.1347%	0.6300%
3/31/15	0.1577%	0.5600%
24 Mo. Av.	0.1201%	0.4238%

EXPENDITURE ANALYSIS

GENERAL FUND EXPENDITURES



2015 Current Budget	\$37,208,641
2015 First Quarter Actual Expenditures	\$4,730,322
2015 % of Current Budget Expended	12.7%
2014 Current Budget	\$36,113,714
2014 First Quarter Actual Expenditures	\$5,047,197
2014 % of Current Budget Expended	14.0%
2015 v. 2014 \$ Change	-\$316,875
2015 v. 2014 % Change	-6.3%

General Fund departmental expenditures in the first quarter of 2015, in the amount of \$4,577,391, are \$328,199, or 7.7%, higher than the year-ago level. The year-over-year increase is largely due to the fact that many departments (City Attorney, Administrative Services, Human Resources, and Public Works) had vacancies in the early part of 2014. Another significant factor is the increased housing days activity year-to-date impacting the Criminal Justice budget. Expenditures would have been even higher had the City not shifted from King County Jail to SCORE as the primary booking facility. General Fund expenditures including transfers out, of \$4,730,322 are \$316,875, or 6.3%, lower than the year-ago level. Expenditures through the first quarter of 2015 as a percentage of the budget excluding transfers out (13.0%) are higher than those for 2014 (12.7%).

Expenditures for 2015 including transfers out (12.7%) are lower than those for 2014 (14.0%), largely because the transfers out in 2014 included a one-time transfer of \$300,000 to the Roads Capital Fund to establish a grant matching pool and the timing of the general fund subsidy to the debt service fund which was accelerated to accommodate the scheduled interest payment.

Department	2015 Current Budget	2015 First Quarter Actual Expenditures	2015 % of Current Budget Expended	2014 Current Budget	2014 First Quarter Actual Expenditures	2014 % of Current Budget Expended	2015 v. 2014 \$ Change	2015 v. 2014 % Change
City Council	\$228,226	\$56,263	24.7%	\$221,089	\$56,403	25.5%	-\$141	-0.2%
City Manager's Office ¹	\$2,252,794	\$387,445	17.2%	\$2,208,535	\$373,533	16.9%	\$13,912	3.7%
City Attorney	\$596,736	\$117,630	19.7%	\$593,787	\$91,066	15.3%	\$26,564	29.2%
Community Services ²	\$1,562,208	\$227,499	14.6%	\$1,515,959	\$221,466	14.6%	\$6,033	2.7%
Administrative Services ³	\$4,062,101	\$851,798	21.0%	\$3,805,090	\$788,330	20.7%	\$63,468	8.1%
Citywide	\$1,959,297	\$623,516	31.8%	\$1,832,230	\$651,554	35.6%	-\$28,038	-4.3%
Human Resources	\$506,738	\$93,378	18.4%	\$442,810	\$86,347	19.5%	\$7,031	8.1%
Police	\$10,849,945	\$12,956	0.1%	\$10,693,397	\$16,381	0.2%	-\$3,426	-20.9%
Criminal Justice	\$2,581,291	\$305,571	11.8%	\$2,340,706	\$212,258	9.1%	\$93,313	44.0%
Parks, Recreation & Cultural Services	\$5,266,759	\$957,629	18.2%	\$4,998,517	\$912,296	18.3%	\$45,333	5.0%
Planning & Community Development	\$2,565,843	\$499,897	19.5%	\$2,553,648	\$493,555	19.3%	\$6,342	1.3%
Public Works	\$2,755,599	\$443,809	16.1%	\$2,219,198	\$346,001	15.6%	\$97,808	28.3%
Departmental Expenditures	\$35,187,537	\$4,577,391	13.0%	\$33,424,965	\$4,249,192	12.7%	\$328,199	7.7%
Operating Transfers Out	\$2,021,104	\$152,931	7.6%	\$2,688,749	\$798,005	29.7%	-\$645,074	-80.8%
Total Expenditures	\$37,208,641	\$4,730,322	12.7%	\$36,113,714	\$5,047,197	14.0%	-\$316,875	-6.3%

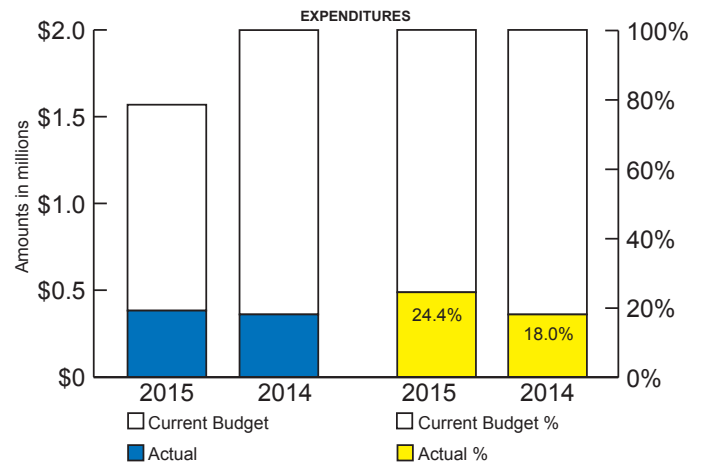
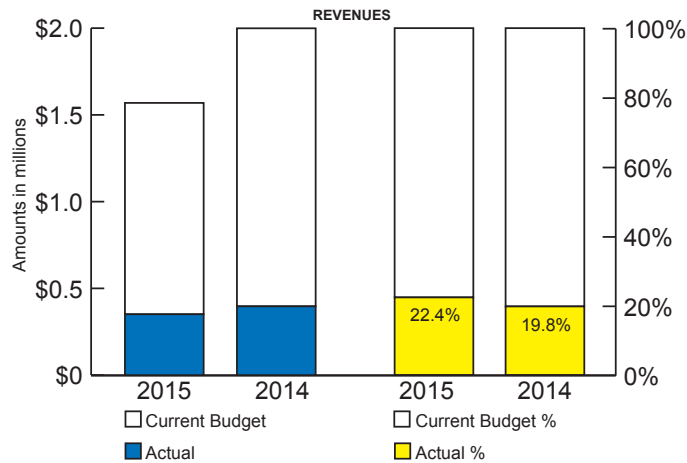
¹ City Manager's Office includes City Manager's Office, City Clerk, Communications, Intergovernmental Relations, Economic Development and Property Management.

² Community Services includes Emergency Management Planning, Neighborhoods, Human Services and the Customer Response Team.

³ Administrative Services includes Finance, Purchasing, Fleet and Facilities, and Information Systems.

OTHER FUNDS REVENUE ANALYSIS:

STREET FUND



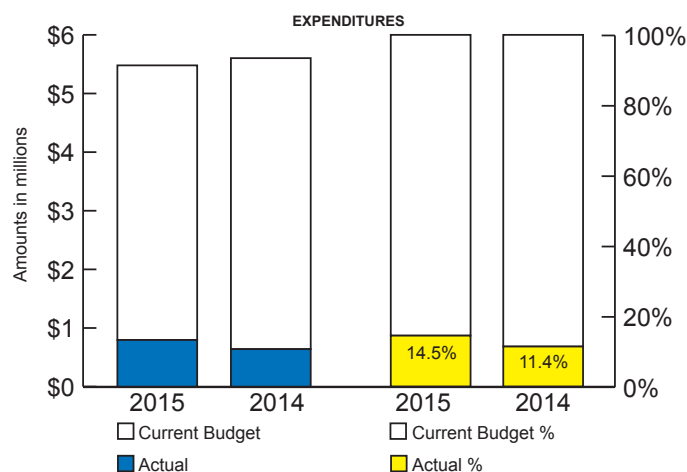
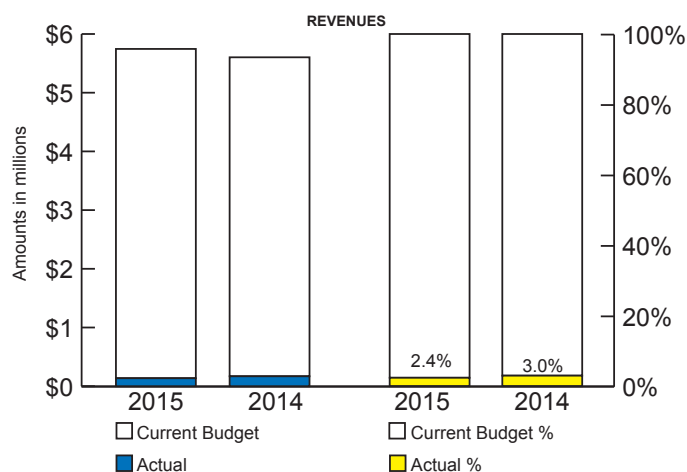
	Revenue	Expenditures
2015 Current Budget	\$1,569,007	\$1,569,007
2015 First Quarter Actual	\$350,746	\$382,269
2015 % of Current Budget	22.4%	24.4%
2014 Current Budget	\$1,999,037	\$1,999,037
2014 First Quarter Actual	\$396,569	\$360,130
2014 % of Current Budget	19.8%	18.0%
2015 v. 2014 First Quarter \$ Change	-\$45,823	\$22,139
2015 v. 2014 First Quarter % Change	-11.6%	6.1%

Motor vehicle fuel tax revenue receipts for the first quarter of 2015 are \$262,339, 0.9%, less than the year-ago level. Total receipts for the first quarter of 2015 are \$350,746. Total receipts, excluding transfers in, are \$279,444, which is \$14,650 or 5.5% more than the year-ago level. This increase in 2015 is mainly contributed to insurance recoveries that total \$16,802.

Expenditures, including transfers out, are \$360,130, 6.1%, more than the year-ago level. The increase is mainly due to some delayed supply purchases and a number of position vacancies in the first quarter of 2014, which are no longer vacant.

OTHER FUNDS REVENUE ANALYSIS:

SURFACE WATER UTILITY FUND



	Revenue	Expenditures
2015 Current Budget	\$5,745,508	\$5,479,524
2015 First Quarter Actual	\$136,147	\$795,735
2015 % of Current Budget	2.4%	14.5%
2014 Current Budget	\$5,602,951	\$5,602,951
2014 First Quarter Actual	\$169,207	\$639,910
2014 % of Current Budget	3.0%	11.4%
2015 v. 2014 First Quarter \$ Change	-\$33,060	\$155,825
2015 v. 2014 First Quarter % Change	-19.5%	24.4%

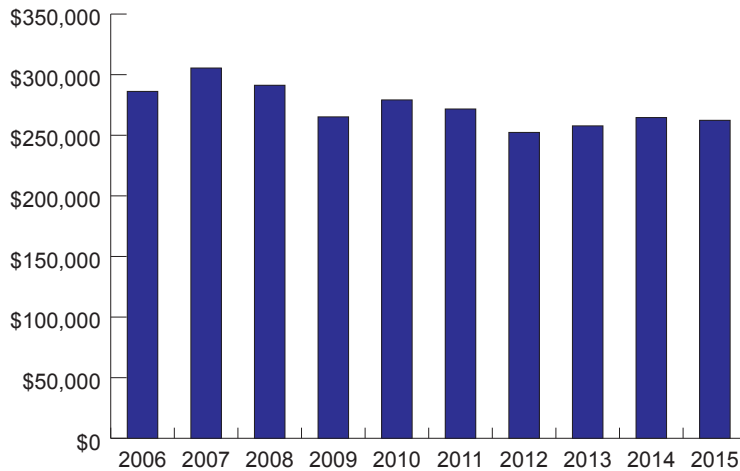
The surface water utility fund (SWM) includes both on-going operational programs and capital projects with both being reflected in the total expenditures and revenues for the fund.

Revenue receipts for the first quarter of 2015, in the amount of \$136,147, are \$33,060, or 19.5%, lower than the year-ago level. SWM ongoing revenues include storm drainage fees and investment interest earnings. Storm drainage fees totaled \$124,222, which are \$41,544 or 25.1%, lower than the year-ago level. This difference is the result of the City receiving a large property tax payment distribution, which includes storm drainage fees, earlier than normal in the first quarter of 2014. Assuming no further timing differences, it is expected that the difference will decrease by the end of the second quarter.

Expenditures, including transfers out, total \$795,735 and are 24.4% more than the year-ago level. Capital projects, excluding transfers out, are \$223,513, or 89.0%, more than the year-ago level. Expenditures are impacted by the timing of construction schedules. The operating programs, excluding transfers out, are \$409,346, which is 9.2%, higher than the year-ago levels. This is due to an increase in repairs and maintenance expenditures related to small scale on-call services to reduce flooding and drainage issues and improve water quality.

NON-GENERAL FUND REVENUE ANALYSIS:

STREET FUND FUEL TAX



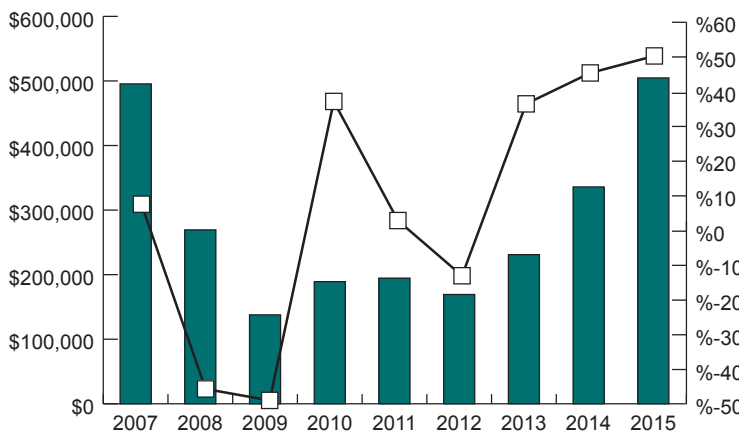
Fuel Tax

Historical First Quarter 2006-2015

2006	\$286,182
2007	\$305,487
2008	\$291,252
2009	\$265,191
2010	\$279,173
2011	\$271,682
2012	\$252,343
2013	\$257,765
2014	\$264,597
2015	\$262,339

The motor vehicle fuel excise tax, commonly referred to as gas tax, is levied by the State on a per gallon basis, distributed monthly on a per capita basis to the City of Shoreline, and placed in the street fund. Fuel tax revenue receipts for the first quarter of 2015, in the amount of \$262,339, are \$2,258, or 0.9%, lower than the year-ago level.

REAL ESTATE EXCISE TAX (REET)



REET: First Quarter Collected 2007-2015

	Revenue	\$ Change from Previous Year	% Change from Previous Year
2007	\$495,510	\$34,996	7.6%
2008	\$269,404	-\$226,106	-45.6%
2009	\$137,794	-\$131,610	-48.9%
2010	\$189,082	\$51,288	37.2%
2011	\$194,618	\$5,536	2.9%
2012	\$169,286	-\$25,332	-13.0%
2013	\$231,011	\$61,725	36.5%
2014	\$335,892	\$104,881	45.4%
2015	\$504,716	\$168,824	50.3%

Real estate excise tax (REET) revenue receipts for the first quarter of 2015, in the amount of \$504,716, are \$168,824 or 50.3% more than receipts for the same period in 2014. There were 45, or 28.0%, more real estate transactions in the first quarter of 2015 than in the same period of 2014, and the total value of all transactions was \$20.0 million, or 29.5%, more in 2015 than in 2014.

The difference in the value of real estate transactions is attributable to there being more transactions in 2015 (206 total) than in 2014 (161 total).

First Quarter INVESTMENT REPORT March 31, 2015:

The City's investment policy adheres to strict standards prescribed by federal law, state statutes, local ordinances, and allows the City to develop an investment model to maximize its investment returns within the primary objectives of safety and liquidity.

Our yield objectives are very important and, pursuant to policy, the basis used by the City to determine whether the market yields are being achieved is through the use of a comparable benchmark. Our benchmark has been identified as the current yield to maturity of the Washington State Local Government Investment Pool, which had been the City's primary mode of investment prior to adopting our Investment Policy. As of March 31, 2015, the City's investment portfolio, excluding the State Investment Pool, had a current weighted average rate of return of 1.0425%. This is better than the State Investment Pool's current rate of return of 0.1577%. Total investment interest earnings through March were \$11,747 which is about 10% of total budgeted 2015 investment earnings of \$118,013.

Over the past few years, we have seen interest rates decline significantly. The average yield on two year government agency bonds was 5.34% in January 2007. By the end of 2008 this rate was down to 1.1%. Rates continued to decline reaching a low of 0.39% at the end of December 2013.

We are now starting to see some recovery in interest rates as the rate at the end of March 2014 was 0.44% and at the end of March 2015 was 0.56%. The City continued to implement a ladder philosophy in its investment portfolio over the last year. This resulted in the City being able to hold some securities at a higher interest rate during the declining interest rate environment. For example an instrument purchased in March 2015 is yielding 1.125% and will not mature until March 2018. This rate of return is projected to be above the average projected rate of return from the State Pool over the same period. A ladder portfolio approach helps assure that the City will, in the long run, receive a market average rate of return.

As of March 2015, the City's investment portfolio had a fair value of over \$30.80 million. Approximately 26% of the investment portfolio was held in U.S. government instrumentality securities, and 74% was held in the Washington State Investment Pool. The City's investment portfolio valued at cost as of March 31, 2015, was slightly over \$30.765 million. The difference between the cost and the market value of the portfolio represents either the loss or the gain of the portfolio if the City were to liquidate investments as of the day that the market value is stated. This would only be done if the City needed to generate cash. The City holds all of its investments until the scheduled maturity date, and therefore when the investments mature the principal market value should equal the cost of the investment. The City also holds sufficient investments within the State Pool to allow for immediate cash liquidation if needed. Investments within the State Pool can be liquidated on any given day with no penalty.

One of the major investment instruments used in the United States and throughout the rest of the world is "mortgage-backed securities". Mortgage-backed securities are mortgages that have been sold by banks to investment banks or federally sponsored agencies such as Federal National Mortgage Association (FNMA – Fannie Mae), Federal Home Loan Mortgage Corporation (FHLMC – Freddie Mac), or Federal Home Loan Banks (FHLCB), who then rebundle the mortgages and sell them to individual investors or investors in the stock market. Mortgage-backed securities can be a fairly safe investment, if there is little risk that the mortgage borrower will default on the loan, or they can be risky investments if there is a higher risk that the borrower will default, such as the case in sub-prime mortgages. The City has purchased and currently has mortgage backed securities in its investment portfolio. This instrument has been purchased from Federal Home Loan Banks.

INVESTMENT REPORT (continued):

LGIP Cash and Investment Balances March 31, 2015

Instrument Type

	CUSPID #	Broker	Settlement Date	Maturity Date	Par Value	Investment Cost	Yield To Maturity	Unrecognized Gain/(Loss)	Market Value 3/31/2015
FHLB 0.375	3133834R9	ProEquities	06/26/13	06/24/16	1,000,000	986,541	0.8310%	13,278	999,819
FHLB 0.78	3130A0HZ6	Multi-Bank Security	12/30/13	12/30/16	1,000,000	999,000	0.8140%	2,420	1,001,420
FHLB 0.75	3130A16D5	Financial Northwestern	03/26/14	03/24/17	1,000,000	994,000	0.9537%	6,383	1,000,383
FHLMC 1.0	3137EADH9	Financial Northwestern	06/14/14	06/29/17	1,000,000	1,000,000	1.0000%	4,666	1,004,666
FHLMC 1.22	3133EDV74	Financial Northwestern	09/26/14	09/18/17	1,000,000	999,500	1.2371%	2,431	1,001,931
FFCB 1.20	3133EEFP0	Wells Fargo	12/19/14	12/18/17	1,000,000	999,500	1.2170%	2,713	1,002,213
FHLB 1.15	3130A3NK6	Financial Northwestern	12/29/14	12/29/17	1,000,000	999,750	1.1585%	2,852	1,002,602
FHLMC 1.125	3134G6PV9	ProEquities	03/30/15	03/30/18	1,000,000	1,000,000	1.1250%	1,982	1,001,982
Sub Total - Investments					8,000,000	7,978,291		36,725	8,015,016
State Investment Pool						22,787,580	0.1577%		22,787,580
Total LGIP + Investments						\$31,972,415		\$13,297	\$31,985,712

Current Average Maturity Excluding the State Investment Pool (days)	829
Current Weighted Average Yield to Maturity Excluding the State Pool	1.0425%
Current Yield to Maturity State Investment Pool	0.1577%
Basis Points in Excess (Below) Benchmark	88

Portfolio Diversification

Instrument Type	Percentage	Amount at Market Value	Amount at Cost	Broker	Percentage	Amount at Cost
FHLB	13.0%	4,004,224	3,979,291	Wells Fargo	3.2%	999,500
FFCB	3.3%	1,002,213	999,500	ProEquities	6.5%	1,986,541
FHLMC	9.8%	3,008,579	2,999,500	Multi-Bank Security	3.2%	999,000
				Financial Northwestern	13.0%	3,993,250
State Investment Pool	74.0%	22,787,580	22,787,580	State Investment Pool	74.1%	22,787,580
Total LGIP + Investments	100%	\$30,802,596	\$30,765,871	Total Investments	100%	\$30,765,871

Investments by Fund

Fund	Investments at Cost as of 3/31/2015	LGIP State Investment Pool as of 3/31/2015	Total LGIP + Investments at Cost by Fund as of 3/31/2015	Unrecognized Gain/(Loss) as of 3/31/2015	Total Market Value of Investments by Fund as of 3/31/2015	Investment Earnings Budget 2015	Investment Earnings Actual 2015	Over/(Under) Budget
001 General	\$2,073,250	\$7,263,530	\$9,336,780	\$23,586	\$9,360,367	\$69,000	\$6,564	-\$62,436
101 Street	250,000	685,649	935,649	3,365	939,014	2,500	292	-2,208
107 Code Abatement	0	153,170	153,170	0	153,170	550	51	-499
108 Asset Seizure	0	183,064	183,064	0	183,064	0	60	60
109 Public Arts	0	217,777	217,777	0	217,777	0	71	71
112 Fed Drug Enforcement	0	269,203	269,203	0	269,203	50	89	39
114 Transportation Benefit Dist.	0	537,422	537,422	0	537,422	60	148	88
115 Property Tax Equalization	0	1,118,645	1,118,645	0	1,118,645	0	366	366
116 Fed Crim Forfeit	0	1,820,223	1,820,223	0	1,820,223	845	564	-281
190 Revenue Stabilization	4,338,500	801,785	5,140,285	0	5,140,285	0	0	0
301 General Capital	0	2,453,294	2,453,294	0	2,453,294	11,809	822	-10,987
312 City Fac-Mjr Maint	0	219,134	219,134	0	219,134	1,417	71	-1,346
330 Roads Capital	0	3,585,268	3,585,268	0	3,585,268	14,431	926	-13,505
401Surface Water Utility Fund	0	1,976,007	1,976,007	0	1,976,007	9,101	846	-8,255
501 Vehicle Oper/Maint	0	239,203	239,203	0	239,203	250	54	-196
503 Equip Dep Replace	1,316,541	1,190,678	2,507,219	9,774	2,516,993	8,000	799	-7,201
505 Unemployment	0	73,526	73,526	0	73,526	0	24	24
Total Investments	\$7,978,291	\$22,787,580	\$30,765,871	\$36,725	\$30,802,596	\$118,013	\$11,747	-\$106,266